Terumo Corporation
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Q&A Session at the Financial Results Briefing for the First Quarter of FY25

Outlined below are the Q&As from the financial results briefing on August 7, 2025.

Shinnosuke Tokumoto: This is Tokumoto, from SMBC Nikko Securities. The financial results were quite strong, but I'd like to talk about SG&A and the gross margin. There were some maybe special events because the gross margin was 56%, which was quite positive, but compared with your expectation conventionally, how much is the variance from your expectation? SG&A is slightly smaller than last year. Maybe there's a timing issue on R&D cost. But in the Q1, I mean, cost control was quite strongly being implemented. Isn't there any risk? Or do you think there is a risk, no risk for SG&A going up in Q2? Can you talk about SG&A gross margin on Q1?

Kojiro Otaka, General Manager of Corporate Planning Department, Terumo: Thank you very much for your question. Let me talk about gross margin. 53.3% last year; this quarter is 56.0%. Fundamental was performing quite well. And the VC2's continuation led to increase the production efficiency.
The other one is the foreign exchange. We have stocks of the internal inventory that actually contributed for about JPY2 billion or so. That has also had some impact to our gross margin.

Jin Hagimoto, Chief Financial Officer, Terumo: Compared with the projection at the beginning of the fiscal year, we believe that this had some upside from our expectation, It's quite strong in Q1. But to your question, Q2 or in H2, there are going to be some impacts from tariffs as we may expect.
SG&A, the other question, this one is talking about variable cost. This is growing together, in line, in tandem with the top-line sales. But the SG&A is being controlled throughout the year to run through. Especially in the upcoming quarters, we are not expecting surprising big substantial increase in SG&A. So we don't expect that.

Tokumoto: Understood. I have a second question in your projection going forward. You mentioned about the impact potentially from tariffs. The impact was minimized previously being expected. Right? And C&V, you are planning to pass on tariff impact to prices.

GPO and looking at the Group procurement, there were some price changes in last year, too. Those additional incremental initiative for prices, why are you confident this is going to go well? In a quarter basis, how much is going to be really be delivered? I mean the passing prices from the US tariff; can you talk about your perspective on that?

Otaka: Yes, last time, we talked about JPY17.0 billion, but it came down to JPY10 billion. We adjusted that. Tariffs from Japan in the last time, they are 10% for the first 90 days. After that 24%. That was the assumption in which we have calculated with. But now it is changed to 15% from Japan, and that dropped down to JPY10 billion in terms of impact from tariff. You also asked about that JPY10 billion, how is that going to impact throughout the year? Now we do have some inventories in the US So in H1, in terms of inventories, the impact from the tariff will be limited. JPY2 billion in Q2; JPY4 billion each for Q3 and Q4. That's our assumption. In total, that will be impact of JPY10 billion throughout the full year.

Hagimoto: Let me also talk about the price, as you asked, especially for C&V, from last year, the team has been promoting the pricing measures and some of which was implemented in Q1. And there's going to be some renewable contracts in which we will be asking for increasing prices as the timing of renewal comes.
At this point in time, it's not necessarily it's a completely new contract agreeing because of tariff. C&V has been doing that as part of their normal operation. I think I just wanted to highlight that because it's important.
Let me also talk about the other companies as well. We want to maximize the passing that tariff back to the price points as long as they make sense. The situation of the category or looking at the competitors' moves are going to be assessed while deciding on price increase.

Tokumoto: Thank you very much. It was very clear.

Tony Ren: The first question is on the LEQEMBI auto-injector. A couple of days ago, your customer mentioned this product being prepared for the launch. We believe the US FDA should approve the LEQEMBI auto-injector by the end of this month. Right? Could you give us some update about what preparation you are making for this auto-injector?
Also, on slide number eight, you mentioned there is a temporary delay in some products. I just want to make sure that—I just want to understand whether that's LEQEMBI.

Hagimoto: What we are doing for the preparation on our side is really to make sure that we can provide as a supplier for the materials and the CDMO business. It's more about

making sure that we can ramp up the productions, and that all the logistics arrangements are put in place. Those are sort of the key activities that we are taking for the launch of LEQEMBI.
In terms of the delayed products, it is not the LEQEMBI product that you've mentioned. It's really more about the other products that have been shifting from a calendar point of view when we compare to YoY basis.

Ren: Very good. Another question is related to slide number seven, the C&V business. On this slide, you had volume growth as well as price increases for Terumo Interventional Systems, which is the biggest growth driver. Could you help me to understand what are the relative contribution from volume versus price?

Hagimoto: What we are considering is that about 2/3 of the impact of the growth is coming from the volume increase. And 1/3 of the impact is the result of the pricing increase.

Ren: Do you think such a price increase will be sustainable?

Hagimoto: We've actually had this built into our contract. The price increase compared to the last fiscal year, we would assume, is already kind of quite positive that we can achieve this.
The volume is where we would probably see some ups and downs going forward. But like I've mentioned before, we do feel that the increase especially in the TIS business in the US is going to be very strong.

Ren: This would be my last question for Terumo Neuro. In China, the sales channel expanded with VBP, resulting in a significant increase. Right? Typically, in China, when you have VBP, the sales decline dramatically. Can you explain what happened here?

Hagimoto: In terms of the neuro products in China, when VBP was introduced for this area, we actually had a lower market share compared to the current situation. What took place is that since VBP also determines not just the price, but also the volume commitment, we were able to take advantage of that volume commitment in China for the neuro products.

Ren: Understood.

Hidemaru Yamaguchi: This is Yamaguchi from Citi. You talked about Rika in your

presentation, all of which was being delivered to the centers. Consumables are all started to be delivered, if I understood. And it's helped profitability, but other business is also doing well. It's kind of not clear in terms of Rika how much contribution is done for the profit. Can you talk a little more about what was the upside on profitability from Rika? How much is coming from Rika?

Otaka: As you have pointed out, we've delivered Rika to all the centers. The revenue and the volumes are all going up and the production volumes have also started to increase. The efficiency for production and the yields are all getting better. Therefore, that was driving our profitability. It's making a good contribution to the TBCT business as a whole.

Yamaguchi: Yes. But from the outside in, it's not clear, but you guys can see it from inside. Right? Can you share how much is that contribution?

Otaka: There's no number that I can disclose. But of course, internally, Rika versus other businesses gets managed and tracked separately. But Rika's contribution is for sure, making a good contribution to the profit.

Yamaguchi: The other question is you talked about prices a few times. In the past, you've done it in the Hospital Care business, and that was a clear win. Now C&V is doing that. Can you talk about that so that we can also understand when the pricing impact is happening?

Otaka: Can I clarify your question?

Yamaguchi: How much pricing is—yes, so from when to when? In Hospital Care business, I think the impact was started. There is a clear distinction between H1 impact and H2 impact. Can you just do something similar for C&V?

Otaka: For C&V, we had this initial plan for price impact. I would say the result is bigger than that coming also from North America and China VBP has been delayed. That's also a positive. In Q1 for C&V, we had the price impact with about JPY2 billion better than our expectation. But VBP is going to be expanding the scope as we predict. In North America, some of the prices went up in Q4 last fiscal year. So JPY2 billion as an impact will taper down gradually. That's like how we see it.

Yamaguchi: Last fiscal year in Q4, the price went up in Q4. So Q1 YoY, there's going to

be some upside YoY. And VBP delay is working for positive right now.

Otaka: Yes, that's right.

Yamaguchi: Thank you. That's all from me.

Motoya Kohtani: My name is Kohtani, Mizuho. I would appreciate for a little more of the quantitation. Page five, the G/P up because of the sales revenue up. But the sales, let's say, the JPY8 billion may be a reasonable amount, but it appears to be a bit small. You included Rika. So consumables sales is putting up, right? What about the gross margin? You used to show G/P margin and the price separately. Can you give us a bit more of the breakdown?

Otaka: Well, about the gross margin increase by the sales increase, last year, there was a temporary factor kicking in, namely just after VBP introduction, distributors rushed to buy the products. Also our business in veterinary market of North America was pretty good in situation. Last year, Q1, excluding FX, 10% growth was achieved because of these temporary factors.
Compared to that, the current Q1 appears to be less strong in terms of a simple calculation. But in terms of what we're targeting for this year, if you look at the gross margin and the business growth, we're pretty much in line with the plan. It's progressing well.
And the gross margin/price, the overall impact has been JPY4.2 billion. The price impact has been JPY4 billion. In Q1, JPY2 billion was expected, but as I explained, North America price up has been producing more effect and the VBP has been delayed. These two have been positive. Hence, JPY2 billion more than we expected.
Regarding the gross margin, the production efficiency has been increased and the VC2's has been producing a positive effect. These are the additional positive factors. And if you look at the plasma innovation, Rika, the more sales we achieved, there's been mixed effects. That's why you see slight negative factors, negative numbers. They're kind of offsetting each other.

Kohtani: Anyway, if you look at the VBP, the impact was expected to be about JPY4 billion. But for Q1, there is a little impact or the impact due to VBP was minimal.

Otaka: VBP is spreading. Last year, H2, it started expansion. That's why we see slight negative numbers. But out of the JPY4 billion in Q1, there's been minimal impact.

Kohtani: Let me ask you another question. MicroVention at Costa Rica, September 2022, you received the FDA warning letter. Well, it's been quite a while, but catheter washing and the supplier, the components, let's say, the supplier corrective action reports need to be produced, and that was delayed, I suppose. That's a detailed report, if I understood right. MicroVention, Costa Rica last year had follow-up inspection, so it's been quite a while and the Form 483 is yet to come. Then am I right to understand the warning letter is getting into the past, that you have been resolving the situation?

Otaka: Yes, right. Well, last year, there was the follow-up inspection, and we had no additional request from the authority. When it comes to the additional request, we don't quite expect any.

Kohtani: That's reassuring. Thank you very much.

Ryotaro Hayashi: My name is Hayashi from Morgan Stanley Securities. First question, at this point in time, so March 2026, your projection, you didn't make any changes of the financial year's annual forecast. Can you give me a little more nuances why you didn't revise it for the full year?
Now you talked about tariffs. You could potentially project less of the profitability because of the potential impact from tariffs. But in Q1, the positive impact on price was bigger than expected. Even if there might be some impact from tariffs, price can go up, give more upside. Therefore, is that the reason why you didn't change the forecast for full year? That was my personal perception of you. But is that the reason? Is this wrong to imagine that that's the reason for not changing it?

Hagimoto: Well, the impact for the tariff is going to be JPY10 billion. That's a negative impact for JPY10 billion. That's our current projection. But as you said, there's an upside for Q1. And if you look at that, as Otaka-san had said, just this North American price impact will continue at least for Q3, if you think about it to run through. So if it's downside, it's only about JPY10 billion, then we should be able to offset that. For that, we will also pass down those tariff impact to the price as much as possible. There might be some negative impact, but the Q1 has upside, and we also can expect more upside for pricing. Therefore, we don't necessarily have to change the full-year forecast. Therefore, we stay put this time.

Hayashi: All right. Thank you. It makes sense. Thank you very much. My second question is in Q1, there's expenses of the organization restructuring, if I understood correctly. But operating profit, when you put the plan for operating profit, there's an

adjusted operating profit and the regular operating profit. Adjustment was starting out to be zero at the very beginning, but there is an organizational change costs from Q1. Also, there's a loss compensation from the pharmas kind of offsetting it. But organization restructuring cost for Q2 and forward, do you think that will continue to recur in about the same level?
And the termination procedures of business related to Quirem medical will be completed in Q3. In Q3, are you expecting special loss, onetime loss? Are you expecting any of the special loss?

Hagimoto: Reorganization costs, we are always looking at the businesses and reassessing the needs. We need to account for potential change of reorganization cost. But that impact is most of them or majority of it is coming from the Quirem medical, as you pointed out. We are not expecting this to be continued, at least not at that size.

Hayashi: Reorganization expenses were only happening and it will all be closed in Q2, end of Q2?

Hagimoto: Well, what we are expecting is majority will be complete by the end of Q1.

Hayashi: Thank you. That's all for my questions.

Tomoko Yoshihara: My name is Yoshihara, UBS Securities. Let me ask you the first question about the profitability rate/AOP of C&V. Well, it really can be either, after or before the adjustment. You were talking about the positive impact due to FX. If I remember, if I understood it correctly, even with that, I think the number has been higher than the past numbers. I wonder if that kind of a high level will be sustainable.
Before the tariff kicked in, so much was produced and the profitability rate has been very high, and this situation may not continue on in Q2 and forward? Tariff will kick in a lot in H2. But excluding such impact, the Q1 margin at this kind of high level will be sustainable or not?

Otaka: Regarding C&V, AOP was 29% with 5% up from FY24. As you mentioned, the FX has been favorable centering around the stock. So 2 points impact has been there so far. Excluding the kind of positive impact, it is still positive. It's partly because of the price up and profitability management and production efficiency improvement. These have been producing positive results.
Regarding sustainable or not, well, Q1 tariff impact has been almost zero. Q2 and H2, the tariff impact should begin. Throughout the year, AOP 25% is our forecast, and we

consider it should be achievable.

Yoshihara: Let me confirm something. Tariff impact, you forecast the tariff impact and Ashitaka has been producing lots of products beforehand and it's been profitable because of that?

Otaka: No, it is not the case.

Yoshihara: Here's the second question. TIS interventional system. US has been performing very nicely. Last year, Q3 2024, well, there was some production issue, so the financial results in last fiscal year were at a high level, I suppose. As of May, you didn't say there should be huge growth, but the numbers you are showing now are better than that. So what's going on? What kind of a background? For example, you have been trying to increase the market share or the market as a whole has been performing well? Of course, the unit price may be a factor and, of course, the volume increase may be another factor. Can you give us the kind of breakdown?

Otaka: Well, as I went through during the presentation, price has been one factor and the increased volume has been another contributing to increased sales and profit. If you look at the access profits in the oncology, the peripheral, in many areas, the sales revenue has been up. The number of the cases are now almost as high as pre-COVID-19. Number of patients has been up and the volume has been up, contributing to the great results.

Yoshihara: Also, you're not increasing the market share?

Otaka: Well, In North America, as the marketed—our products are highly rated, I put it that way. Of course, the market share has been seeing some contribution from those factors.

Yoshihara: Thank you very much. That's it.

Ren: Maybe just a quick follow-up question on slide number 15. On slide number 15, the second last row, you had loss compensation from a pharmaceutical company, JPY3.2 billion. Just wanted to get some color on that one. Is that related to the German plant that you acquired from WuXi? Or is that related to the biosimilar product?

Hagimoto: This is not related to any of the newly acquired WuXi plant. This actually

relates to the impact that we booked in H2FY24 when we canceled the project for some of the activities with the pharmaceutical companies., so there is some compensation for the write-off or the impairment that we have booked in H2. It's relatively more of a relationship towards the H2 activity in last fiscal year that we've come to an agreement with the pharmaceutical company in this quarter.

Ren: So you will pay them JPY3.2 billion?

Hagimoto: No, it's the other way around. We booked the impairment in H2 last fiscal year, so they are compensating for that impact that we booked.

Ren: Understood. So they are paying you. Thank you.

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